

CITY OF MURDO
AUDIT REPORT
DECEMBER 31, 2007

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Murdo
Murdo, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, as December 31, 2007, and for each of the years in the biennial period then ended, and have issued my report thereon dated June 5, 2008. My report was modified because of a scope limitation concerning the component unit and because the financial statements were prepared on the cash basis of accounting.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the City of Murdo's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose describe in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider the deficiency described in the accompanying Schedule of Current Audit Findings as item number 2007-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected in the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item number 2007-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Murdo's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City of Murdo's response to the findings identified in my audit are described in the accompanying Schedule of Current Audit Finding. I did not audit the City of Murdo's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the governing board and information of the management of the City of Murdo, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

Harry E. Larson

June 5, 2008

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Murdo
Murdo, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, as of December 31, 2007, and for each of the years in the biennial period then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murdo's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as indicated in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the City of Murdo prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

I was unable to obtain audited cash basis financial statements supporting the financial activities of the Murdo Housing and Redevelopment Commission, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the component unit column and represent 100% of the assets and revenues of the component unit column.

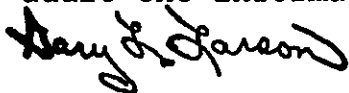
In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had Murdo Housing and Redevelopment Commission's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the City of Murdo, as of June 30, 2007, and the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis, of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murdo, South Dakota, at December 31, 2007 and the respective changes in financial position thereof for each of the years in the biennial period then ended, in conformity with the basis of accounting described in Note 1.

The City of Murdo has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with the Government Auditing Standards, I have also issued my report dated June 5, 2008 on my consideration of the City of Murdo's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The budgetary comparison information on pages 37 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



June 5, 2008

CITY OF MURDO
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	TOTAL
ASSETS:			
Cash and cash equivalents	\$148,599	\$109,041	\$257,640
TOTAL ASSETS	<u>\$148,599</u>	<u>\$109,041</u>	<u>\$257,640</u>
NET ASSETS:			
Unrestricted	\$148,599	\$109,041	\$257,640
TOTAL NET ASSETS	<u>\$148,599</u>	<u>\$109,041</u>	<u>\$257,640</u>

The accompanying notes to financial statements are an integral part of this statement.

Component Unit
<u>\$125,179</u>
<u>\$125,179</u>

<u>\$125,179</u>
<u>\$125,179</u>

CITY OF MURDO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		PROGRAM REVENUES	
Functions/Programs	Expenses	Changes for Services	Operating Grants
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$97,692	\$4,312	\$0
Public safety	26,366	86	0
Public works	618,783	55,954	0
Health and welfare	1,614	0	0
Culture and recreation	51,250	2,545	0
Conservation and development	33,659	0	0
Debt service	186,684	0	0
TOTAL GOVERNMENTAL ACTIVITIES	1,016,048	62,897	0
Business-type Activities:			
Water	132,980	128,399	0
Sewer	15,983	68,694	0
TOTAL BUSINESS-TYPE ACTIVITIES	148,963	197,093	0
TOTAL PRIMARY GOVERNMENT	\$1,165,011	\$259,990	\$0
Component Unit:			
Housing and Redevelopment Commission	\$169,892	\$85,124	\$33,592

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues

Total General Revenues

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$93,380)	\$0	(\$93,380)	\$0
0	(26,280)	0	(26,280)	0
0	(104,576)	0	(104,576)	0
0	(1,614)	0	(1,614)	0
458,253	(48,705)	0	(48,705)	0
0	(33,659)	0	(33,659)	0
0	(186,684)	0	(186,684)	0
458,253	(494,898)	0	(494,898)	0
0	0	(4,581)	(4,581)	0
0	0	52,711	52,711	0
0	0	48,130	48,130	0
\$458,253	(\$494,898)	\$48,130	(\$446,768)	\$0
\$35,362	\$0	\$0	\$0	(\$15,814)

114,312	0	114,312	0
323,741	0	323,741	0
19,825	0	19,825	0
654	491	1,145	4,730
44,051	0	44,051	15,442
502,583	491	503,074	20,172
7,685	48,621	56,306	4,358
140,914	60,420	201,334	120,821
\$148,599	\$109,041	\$257,640	\$125,179

CITY OF MURDO
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants
PRIMARY GOVERNMENT:			
Governmental Activities:			
General government	\$121,646	\$1,391	\$0
Public safety	132,796	0	0
Public works	136,399	60,828	0
Health and welfare	1,508	0	0
Culture and recreation	412,698	2,156	0
Conservation and development	16,750	0	0
Debt Service	170,000	0	0
TOTAL GOVERNMENTAL ACTIVITIES	991,797	64,375	0
Business-type Activities:			
Water	133,220	140,211	0
Sewer	19,016	69,955	0
TOTAL BUSINESS-TYPE ACTIVITIES	152,236	210,166	0
TOTAL PRIMARY GOVERNMENT	\$1,144,033	\$274,541	\$0
Component Unit:			
Housing and Redevelopment Commission	\$112,595	\$83,509	\$29,947

GENERAL REVENUES:

Property taxes
Sales taxes
State shared revenues
Unrestricted investment earnings
Other general revenues
TRANSFERS

Total General Revenues and Transfers

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
\$0	(\$120,255)	\$0	(\$120,255)	\$0
0	(132,796)	0	(132,796)	0
33,764	(41,807)	0	(41,807)	0
0	(1,508)	0	(1,508)	0
308,377	(102,165)	0	(102,165)	0
0	(16,750)	0	(16,750)	0
0	(170,000)	0	(170,000)	0
342,141	(585,281)	0	(585,281)	0
0	0	6,991	6,991	0
0	0	50,939	50,939	0
0	0	57,930	57,930	0
\$342,141	(\$585,281)	\$57,930	(\$527,351)	\$0
\$39,049	\$0	\$0	\$0	\$39,910

107,680	0	107,680	0
316,989	0	316,989	0
5,641	0	5,641	0
617	231	848	2,445
39,277	0	39,277	17,339
50,000	(50,000)	0	0
520,204	(49,769)	470,435	19,784
(65,077)	8,161	(56,916)	59,694
205,991	52,259	258,250	61,127
\$140,914	\$60,420	\$201,334	\$120,821

**CITY OF MURDO
BALANCE SHEET-CASH BASIS-
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$143,228	\$5,371	\$148,599
TOTAL ASSETS	<u>\$143,228</u>	<u>\$5,371</u>	<u>\$148,599</u>
 FUND BALANCES:			
Undesignated	\$143,228	\$0	\$143,228
Undesignated-Special Revenue Funds	<u>0</u>	<u>5,371</u>	<u>5,371</u>
Total Fund Balance	<u>\$143,228</u>	<u>\$5,371</u>	<u>\$148,599</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$113,685	\$0	\$113,685
General sales taxes	274,164	49,577	323,741
Amusement taxes	132	0	132
Penalties and interest on tax	627	0	627
Licenses and permits	1,528	0	1,528
Intergovernmental Revenue			
Federal grants	432,540	0	432,540
State grants	1,662	0	1,662
State shared revenues	20,642	0	20,642
County shared revenues	9,325	0	9,325
Charges for Goods and Services:			
General government	1,889	0	1,889
Sanitation	44,150	0	44,150
Culture and recreation	2,545	0	2,545
Fines and Forfeits:			
Other	86	0	86
Miscellaneous Revenue			
Interest earned	654	0	654
Rentals	2,423	0	2,423
Liquor operating agreements	19,485	0	19,485
Special assessments	25,713	0	25,713
Other	22,906	0	22,906
Total Revenue	<u>\$974,156</u>	<u>\$49,577</u>	<u>\$1,023,733</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Elections	11,889	0	11,889
Financial administration	85,803	0	85,803
Public Safety			
Police	17,221	0	17,221
Fire	9,145	0	9,145
Public Works			
Highways and streets	115,730	0	115,730
Airport	454,963	0	454,963
Sanitation	48,090	0	48,090
Health and Welfare:			
Health	1,500	0	1,500
Humane society	114	0	114
Culture and Recreation:			
Recreation	40,060	0	40,060
Parks	2,020	0	2,020
Auditorium	9,170	0	9,170
Conservation and development	0	33,659	33,659
Debt service	170,000	16,684	186,684
	<u>\$965,705</u>	<u>\$50,343</u>	<u>\$1,016,048</u>
Total Expenditures			
	<u>\$965,705</u>	<u>\$50,343</u>	<u>\$1,016,048</u>
Excess of revenues over (under) expenditures	8,451	(766)	7,685
Other Financing Sources (Uses):			
Transfers-in	6,443	0	6,443
Transfers-out	0	(6,443)	(6,443)
	<u>14,894</u>	<u>(7,209)</u>	<u>7,685</u>
Net Change in Fund Balances			
	<u>14,894</u>	<u>(7,209)</u>	<u>7,685</u>
FUND BALANCE JANUARY 1, 2007	<u>128,334</u>	<u>12,580</u>	<u>140,914</u>
FUND BALANCE, DECEMBER 31, 2007	<u>\$143,228</u>	<u>\$5,371</u>	<u>\$148,599</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes-			
General property taxes	\$107,111	\$0	\$107,111
General sales taxes	271,879	44,978	316,857
Amusement taxes	132	0	132
Penalties and interest on tax	569	0	569
Intergovernmental Revenue			
Federal grants	189,977	0	189,977
State grants	1,253	0	1,253
State shared revenues	20,269	0	20,269
County shared revenues	9,588	0	9,588
Charges for Goods and Services:			
Sanitation	43,512	0	43,512
Culture and recreation	2,156	0	2,156
Miscellaneous Revenue			
Interest earned	617	0	617
Rentals	1,391	0	1,391
Special assessments	33,764	0	33,764
Contributions	117,147	0	117,147
Liquor operating agreement income	19,385	0	19,385
Other	12,992	0	12,992
Total Revenue	<u>\$831,742</u>	<u>\$44,978</u>	<u>\$876,720</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:			
General Government			
Legislative	\$13,864	\$0	\$13,864
Financial administration	88,382	0	88,382
Other	0	19,400	19,400
Public Safety			
Police	43,941	0	43,941
Fire	88,855	0	88,855
Public Works			
Highways and streets	82,646	4,800	87,446
Sanitation	43,755	0	43,755
Airport	5,198	0	5,198
Health and Welfare			
Health	1,500	0	1,500
Humane society	8	0	8
Culture and Recreation:			
Recreation	40,159	2,774	42,933
Parks	2,999	3,099	6,098
Auditorium	357,313	6,354	363,667
Conservation and development	0	16,750	16,750
Debt service	170,000	0	170,000
Total Expenditures	<u>\$938,620</u>	<u>\$53,177</u>	<u>\$991,797</u>
Excess of revenues over (under) expenditures	(106,878)	(8,199)	(115,077)
Other Financing Sources:			
Transfers-in	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	(56,878)	(8,199)	(65,077)
FUND BALANCE, JANUARY 1, 2006	<u>185,212</u>	<u>20,779</u>	<u>205,991</u>
FUND BALANCE, DECEMBER 31, 2006	<u><u>\$128,334</u></u>	<u><u>\$12,580</u></u>	<u><u>\$140,914</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
BALANCE SHEET - CASH BASIS - PROPRIETARY FUNDS
DECEMBER 31, 2007

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$11,369	\$97,672	\$109,041
TOTAL ASSETS	\$11,369	\$97,672	\$109,041
 NET ASSETS			
Unrestricted net assets	\$11,369	\$97,672	\$109,041
Total Net Assets	\$11,369	\$97,672	\$109,041

The accompanying notes to financial statements are an
integral part of this statement.

CITY OF MURDO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services securing payment of revenue bonds	\$128,399	\$68,694	\$197,093
OPERATING EXPENSES:			
Personal services	35,751	15,386	51,137
Other current expense	40,187	597	40,784
Cost of goods sold	45,544	0	45,544
Capital assets	7,010	0	7,010
Debt service (principal)	1,654	0	1,654
Total Operating Expenses	130,146	15,983	146,129
Operating Income	(1,747)	52,711	50,964
Non-operating Revenue (Expense)			
Interest earned	491	0	491
Interest expense	(2,834)	0	(2,834)
Total Non-operating Revenue (Expense)	(2,343)	0	(2,343)
Change in Net Assets	(4,090)	52,711	48,621
NET ASSETS, BEGINNING	15,459	44,961	60,420
NET ASSETS, ENDING	\$11,369	\$97,672	\$109,041

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
CASH BASIS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES:			
Charges for goods and services			
securing payment of revenue bonds	\$140,211	\$69,955	\$210,166
OPERATING EXPENSES:			
Personal services	35,557	0	35,557
Other current expense	31,875	8,116	39,991
Cost of goods sold	61,300	0	61,300
Capital assets	0	10,900	10,900
Debt service (principal)	1,602	0	1,602
Total Operating Expenses	130,334	19,016	149,350
Operating Income	9,877	50,939	60,816
Non-operating Revenue (Expense)			
Interest earned	231	0	231
Interest expense	(2,886)	0	(2,886)
Total Non-operating Revenue (Expenses)	(2,655)	0	(2,655)
Income before Transfers:	7,222	50,939	58,161
Transfers-in	10,000	0	10,000
Transfers-out	0	(60,000)	(60,000)
Change in Net Assets	17,222	(9,061)	8,161
NET ASSETS, BEGINNING	(1,763)	54,022	52,259
NET ASSETS, ENDING	\$15,459	\$44,961	\$60,420

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 c., these financial statements are presented on cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting.

a. Financial Reporting Entity:

The reporting entity of the City of Murdo consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Murdo Housing and Redevelopment Commission (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though retains the statutory authority to approve or deny or otherwise modify the commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Murdo Housing and Redevelopment Commission may be obtained from: Murdo Housing and Redevelopment Commission, Murdo, SD.

b. Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the *governmental and business-type activities* and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1 a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or major capital projects) that are legally restricted to expenditures for specified purposes.

Additional Sales Tax	A fund established by South Dakota Codified Law (SDCL) 10-52-2, to pay debt service on bonds and other costs of capital improvements and land acquisition. The fund is financed by a "Second Penny" retail sales tax collected prior to December 31, 2002. This Fund was closed in 2007. This is a not major fund.
----------------------	--

Entertainment Tax Fund	A fund established by SDCL 10-52A used to pay for promotion of the City. It is financed by a gross receipts tax on bars, restaurants and motels. This is not a major fund.
------------------------	--

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any Financial Accounting Standards Board (FASB) Statements and interpretation issued after November 30, 1989.

Water Fund	a fund used to record financial transactions related to water utility operations. This fund is financed by user charges and grants. This is a major fund.
------------	---

Sewer Fund	a fund used to record financial transactions related to sewer operations. This fund is financed by user charges. This is a major fund.
------------	--

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

During 2004, the City changed its basis of accounting from a basis essentially in conformity with accounting principles generally accepted in the United States (USGAAP) to the cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are earned and liabilities are incurred. Under the cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the economic resources" measurement focus is used, applied within the limitations of the cash basis of accounting.

Basis of Accounting:

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-type and component unit activities are presented using a cash basis of accounting.

The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances. The City did not have internal receivables or payables as of December 31, 2007.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. In order to minimize the doubling-up effect on the interfund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate. The City did not have any such internal activity during fiscal year 2006 or 2007.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Capital Assets:

Under the cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

g. Long-term Liabilities:

Under the cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows.

1. Charges for services - These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses that are capital and related financing activities or investing activities are reported as separate classifications of revenue or expense (on a cash basis).

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components:

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Restricted net assets - Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the City's policy to first use restricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The City deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF
CREDIT RISK AND INTEREST RATE RISK: (continued)

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

It is the City's policy to deposit all interest revenue to the fund making the investment.

Custodial Credit Risk:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The City's deposits were not exposed to the above risks as of December 31, 2007.

The carrying amount of deposits at December 31, 2007 was \$257,640. The component unit reported \$125,179 as of June 30, 2007.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF
CREDIT RISK AND INTEREST RATE RISK: (continued)

Investments - In general, SDCL 4-5-6 permits municipal funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The entity's investments except mutual funds are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

No investments were held as of December 31, 2007.

Custodial Credit Risk - Deposits -The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2007, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. The policy carries a \$500 deductible.

CITY OF MURDO
NOTES TO CASH BASIS FINANCIAL STATEMENTS

4. RISK MANAGEMENT (continued)

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, on the ultimate cost of the experience to date of SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the Pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the Pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve under certain conditions. As of December 31, 2007, the City had a vested balance of \$22,094 in the reserve fund. The City carries a \$250 deductible for the automobile coverage and \$1,000 deductible for the general liability.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

4. RISK MANAGEMENT (continued)

Workmen's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensations coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The Pool pays the first \$325,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,675,000 per individual per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2006 and 2007, no claims were filed or paid for unemployment, nor are any anticipated as of December 31, 2007.

5. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

5. RETIREMENT PLAN (continued)

South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for fiscal years ended December 31, 2007, 2006 and 2005 were \$5,195, \$7,361 and \$7,031 respectively, equal to the required contributions each year.

6. JOINT VENTURE

The City participates in a joint venture, known as Tri-County Landfill, formed for the purpose of providing garbage dump area services to its member entities.

The members of the joint venture are as follows:

<u>Counties</u>	<u>Cities</u>
Tripp County	White Lake
Aurora County	Wessington Springs
Jerauld County	Plankinton
Brule County	Reliance
Lyman County	White River
Buffalo County	Alpena
Jones County	Lane
Mellette County	Colome

CITY OF MURDO
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS

6. JOINT VENTURE (continued)

Kennebec
Chamberlain
Kimball
Oacoma
Presho
Draper
Stickney
Murdo
Pukwana
New Witten
Winner
Wood

The joint venture's governing board is composed of 12 representatives. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture. This funding would be shared equally by all members.

Separate financial statements for this joint venture are available from the Tri-County Landfill.

As of December 31, 2006, this joint venture had total fund equity of \$128,845 and long-term debt of \$1,340,195. This is the most recent financial information the entity was able to provide as of June 5, 2008.

7. INTERFUND TRANSFERS

In 2006 a transfer of \$50,000 was made from the Sewer Fund to the General Fund to subsidize operations of the General Fund. In 2006 a transfer of \$10,000 was made from the Sewer Fund to the Water Fund to subsidize its operations.

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$113,552	\$113,552	\$113,685
General sales and use taxes	285,000	285,000	274,164
Amusement taxes	100	100	132
Penalties and interest	0	0	627
Licenses and Permits	1,248	1,248	1,528
Intergovernmental Revenue			
Federal grants	0	432,540	432,540
State grants	0	0	1,662
State shared revenue	19,500	19,500	20,642
County shared revenue	9,200	9,200	9,325
Charges for Goods and Services			
General government	1,000	1,000	1,889
Sanitation	46,200	46,200	44,150
Culture and recreation	1,900	1,900	2,545
Fines and Forfeits:			
Other	0	0	86
Miscellaneous Revenue			
Investment earnings	260	260	654
Rentals	3,700	3,700	2,423
Liquor operating agreements	17,700	17,700	19,485
Special assessments	27,000	27,000	25,713
Other	1,700	1,700	22,906
Total Revenue	528,060	960,600	974,156

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with
Final Budget-
Positive
(Negative)

\$133
(10,836)
32
627

280

0
1,662
1,142
125

889
(2,050)
645

86

394
(1,277)
1,785
(1,287)
21,206

13,556

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

EXPENDITURES	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
General Government			
Legislative	\$15,542	\$15,542	\$11,889
Contingencies	36,473	36,473	0
Amount transferred	0	(24,077)	0
Elections	250	250	0
Financial administration	88,480	88,480	85,803
Other	525	525	0
Public Safety			
Police	41,097	41,097	17,221
Fire	26,761	26,761	9,145
Public Works			
Highways and streets	92,230	116,842	115,730
Sanitation	44,328	48,099	48,090
Airport	15,000	454,970	454,963
Culture and Recreation			
Recreation	35,046	40,730	40,060
Parks	3,000	3,000	2,020
Auditorium	4,000	9,170	9,170
Health and Welfare			
Health	1,500	1,500	1,500
Humane society	100	114	114
Debt Service	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>
Total Expenditures	<u>574,332</u>	<u>1,029,476</u>	<u>965,705</u>
Excess of Revenues over Expenditures	(46,272)	(68,876)	8,451
Other Financing Sources:			
Transfers-in	<u>0</u>	<u>0</u>	<u>6,443</u>
Net Change in Fund Balance	(46,272)	(68,876)	14,894
FUND BALANCE-Beginning	<u>128,334</u>	<u>128,334</u>	<u>128,334</u>
FUND BALANCE-Ending	<u>\$82,062</u>	<u>\$59,458</u>	<u>\$143,228</u>

The accompanying notes to supplemental information are an integral part of the schedule

Variance with
Final Budget-
Positive
(Negative)

\$3,653
36,473
(24,077)
250
2,677
525

23,876
17,616

1,112
9
7

670
980
0

0
0

0

63,771

77,327

6,443

83,770

0

\$83,770

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
REVENUES			
Taxes:			
General property taxes	\$109,397	\$109,397	\$107,111
General sales and use taxes	230,000	230,000	271,879
Amusement taxes	100	100	132
Penalties and interest	0	0	569
 Licenses and Permits	 1,248	 1,248	 0
 Intergovernmental Revenue			
Federal grants	0	0	189,977
State grants	0	0	1,253
State shared revenue	17,700	17,700	20,269
County shared revenue	8,900	8,900	9,588
 Charges for Goods and Services			
Sanitation	48,250	48,250	43,512
Culture and recreation	3,700	3,700	2,156
 Miscellaneous Revenue			
Investment earnings	260	260	617
Rentals	3,400	3,400	1,391
Special assessments	27,000	27,000	33,764
Contributions	0	0	117,147
Liquor operating agreements	17,700	17,700	19,385
Other	1,700	1,700	12,992
 Total Revenue	 469,355	 469,355	 831,742

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with Final Budget- Positive (Negative)
(\$2,286)
41,879
32
569
(1,248)
189,977
1,253
2,569
688
(4,738)
(1,544)
357
(2,009)
6,764
117,147
1,685
11,292
362,387

CITY OF MURDO
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENDITURES	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
General Government			
Legislative	\$18,027	\$18,027	\$13,864
Contingencies	37,463	37,463	0
Amount transferred	0	(31,776)	0
Elections	250	250	0
Financial administration	70,580	93,595	88,382
Public Safety			
Police	41,895	44,414	43,941
Fire	26,500	88,855	88,855
Public Works			
Highways and streets	86,364	86,364	82,646
Sanitation	43,068	43,758	43,755
Airport	1,400	5,200	5,198
Culture and Recreation			
Recreation	36,821	41,527	40,159
Parks	3,000	3,000	2,999
Auditorium	2,000	357,317	357,313
Health and Welfare			
Health	1,500	1,500	1,500
Humane society	100	100	8
Debt Service	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>
Total Expenditures	<u>538,968</u>	<u>959,594</u>	<u>938,620</u>
Other Financing Sources:			
Transfers-in	<u>0</u>	<u>50,000</u>	<u>50,000</u>
Net Change in Fund Balance	(69,613)	(490,239)	(56,878)
FUND BALANCE-Beginning	<u>185,212</u>	<u>185,212</u>	<u>185,212</u>
FUND BALANCE-Ending	<u>\$115,599</u>	<u>(\$305,027)</u>	<u>\$128,334</u>

The accompanying notes to supplemental information are an integral part of the schedule

Variance with
Final Budget-
Positive
(Negative)

\$4,163
37,463
(31,776)
250
5,213

473
0

3,718
3
2

1,368
1
4

0
92

0

20,974

0

433,361

0

\$433,361

CITY OF MURDO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting:

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles, on a cash basis.

CITY OF MURDO
SCHEDULE OF CURRENT AUDIT FINDINGS

FINDING NUMBER 2007-01:

A lack of proper segregation of duties is the present situation in the City's accounting department.

CRITERIA:

Duties should be segregated so the same employees who handle cash do not record cash transactions nor have general ledger access. Bank reconciliation should be performed by personnel not involved with the check writing process. Other financial and accounting functions should be done by separate people.

CONDITION, CAUSE AND EFFECT:

The size of the entity precludes an adequate segregation of duties.

RECOMMENDATION:

The Mayor and Council Members should always be aware of this weakness as they review and approve transactions of the City and resulting financial reports. Compensating controls should be implemented whenever and wherever possible.

RESPONSE:

The City agrees with the finding, but does not intend to hire additional personnel just to segregate duties.

CITY OF MURDO
SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER 2005-01 and 2003-01:

A lack of proper segregation of duties is the present situation in the City's accounting department.

This finding was first reported in 1998.

CURRENT STATUS:

The condition remains the same as of December 31, 2007.